

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of:

Midland Euro, Inc.,
15315 Magnolia Blvd., Suite 410
Sherman Oaks, CA 91403

Registrant.

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) CFTC Docket No. SD 02 - 01
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NOTICE OF INTENT TO SUSPEND OR RESTRICT
REGISTRATION PURSUANT TO SECTION 8a(3)(J)
AND 8a(4) OF THE COMMODITY EXCHANGE
ACT, AS AMENDED

I.

The Commodity Futures Trading Commission ("Commission") has received information from its staff which tends to show, and the Commission's Division of Enforcement ("Division") alleges and is prepared to prove, that:

1. Midland Euro, Inc. ("Registrant") is a California corporation with its principal place of business located at 15315 Magnolia Blvd., Suite 410, Sherman Oaks, California 91403.

2. Since in or before July 2000, Registrant has been a member of the National Futures Association ("NFA") and has been registered with the Commission as a futures commission merchant pursuant to Sections 4d and 4f of the Commodity Exchange Act ("Act"), as amended 7 U.S.C. §§ 6d and 6f (2001). Midland Euro is in the business of trading retail, off-exchange foreign currency contracts.

3. On October 31, 2001, the NFA's President, with the concurrence of the NFA's Executive Committee, issued Member Responsibility Action No. 01MRA002 to Registrant,

effective immediately, whereby Registrant was suspended from NFA membership until further notice. The NFA deemed that the Membership Responsibility Action was necessary to protect Registrant's customers because the NFA had reason to believe that the Registrant had submitted false or misleading information to the NFA. Specifically, the NFA claimed that Registrant had failed to disclose the existence of two customer accounts which comprised a substantial portion of Registrant's business and failed to disclose the existence of one of its bank accounts. In addition, the MRA stated that Registrant filed false financial reports with the NFA which failed to reflect the liabilities related to the undisclosed accounts. The MRA concluded that, because of the false and misleading information Registrant had provided to the NFA, Registrant was unable to demonstrate that it was in compliance with the NFA's Financial Requirements. A hearing was held before an NFA hearing panel on Nov. 8, 2001. The hearing panel issued its decision upholding the MRA and membership suspension on Nov. 14, 2001. Pursuant to the MRA, Midland Euro's membership is suspended indefinitely. The MRA does not suspend Midland's Euro's registration and does not preclude it from continuing to operate its business.

4. The facts set forth in paragraphs 2 and 3 above constitute a basis for Registrant's statutory disqualification from registration under Section 8a(3)(J) of the Act, 7 U.S.C. § 12a(3)(J), which provides a basis for suspending, revoking or restricting its registration under Section 8a(4) of the Act, 7 U.S.C. § 12a(4).

II.

Pursuant to Commission Regulation 3.60(a), 17 C.F.R. § 3.60(a) (2001), Registrant is hereby notified that a public proceeding shall be conducted in accordance with the provisions of Commission Regulation 3.60, 17 C.F.R. § 3.60 (2001), on the following questions:

5. Whether Registrant is subject to statutory disqualification from registration under Section 8a(3)(J) of the Act, as set forth in Section I, above; and

6. If the answer to the question set forth in Paragraph 5 is affirmative, whether the registration of Registrant as a futures commission merchant should be suspended, or restricted. Such proceeding shall be held before an Administrative Law Judge, in accordance with Commission Regulation 3.60, 17 C.F.R. § 3.60 (2001), and all post-hearing procedures shall be conducted pursuant to Commission Regulation 3.60(i)-(j), 17 C.F.R. § 3.60(i)-(j) (2001), subject to the expedited procedures set forth in Section III below.

III.

Upon consideration of the information received from its staff and of the allegations of the Division of Enforcement contained in paragraphs 1 through 6 above, the Commission finds that:

(A) The issues framed by paragraphs 1 through 6 of this Notice are clear, narrow and capable of speedy resolution;

(B) The Registrant futures commission merchant is alleged to have had its NFA membership suspended due to its inability to demonstrate that it is in compliance with the NFA's financial requirements;

(C) The public is entitled to be protected against futures commission merchants whom the NFA has suspended from NFA membership pursuant to an MRA.

(D) The MRA does not preclude the Registrant futures commission merchant from continuing its retail foreign currency business;

(E) The Registrant and the public are entitled to a prompt decision on the question of whether the Registrant's registration should be suspended or restricted

(F) Based on (A) through (E) above, there is an interest in expediting decision and other good cause for adopting expedited procedures.

WHEREAS the Commission has determined that no party to this proceeding will be prejudiced and that the ends of justice will be served by the adoption of expedited procedures in this matter,

IT IS FURTHER ORDERED pursuant to Commission Regulations 3.60(k), 3.61 and 10.3, 17 C.F.R. §§ 3.60(k), 3.61 and 10.3 (2001) that the time limits set forth in Regulation 3.60, 17 C.F.R. 3.60 (2001) shall be shortened as follows:

(A) In accordance with the provisions of Commission Regulation 3.60(a)(3), 17 C.F.R. § 3.60(a)(3) (2001), Registrant is entitled to file a response challenging the evidentiary bases of the statutory disqualification or show cause why, notwithstanding the accuracy of the allegation, its registration should not be suspended, revoked, or restricted. Such response must be filed with the Hearing Clerk, Office of Hearings and Appeals, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581, and served upon John T. Wise, Senior Trial Attorney, and Jack Barrett, Regional Counsel, Division of Enforcement, Commodity Futures Trading Commission, 10900 Wilshire Blvd., Suite 400, Los Angeles, California, 90024 within seven (7) days after the date of service of this Notice upon Registrant in accordance with the provisions of Commission Regulation 3.60(b), 17 C.F.R. § 3.60(b) (2001). If Registrant fails to file a timely response to this Notice, the allegations set forth herein shall be deemed to be true and the presiding officer may issue an Order of Default in accordance with the provisions of Commission Regulation 3.60(a)(4), 17 C.F.R. § 3.60(a)(4) (2001);

(B) If, in the response, the Registrant states that it intends to make the showing referred to in Regulation 3.60(b)(2)(i), 17 C.F.R. § 3.60(b)(2)(i) (2001), it shall file and serve its further submission within seven (7) days after filing its initial response;

(C) Within seven (7) days after the latter of the date the Registrant serves a copy of its response (if no further submission is to be made in accordance with Regulation 3.60(b)(2)(ii)) or the date it serves a copy of its further submission, the Division shall file and serve its reply pursuant to Regulation 3.60(c), 17 C.F.R. § 3.60(c) (2000);

(D) Within seven (7) days after the Division of Enforcement files its reply, the Administrative Law Judge shall issue an order pursuant to Regulation 3.60(d), 17 C.F.R. 3.60(d) (2001). If a hearing is ordered pursuant to Regulation 3.60(d)(2), 17 C.F.R. § 3.60(d)(2) (2001), the Administrative Law Judge shall schedule the hearing within seven (7) days, and shall otherwise expedite all post hearing procedures to enable him to file his Initial Decision not later than 30 days following the hearing.

(E) Appeals pursuant to Section 8a(4) and 6(c) must be initiated through the filing of a Notice of Appeal within seven (7) days of the service of the Initial Decision.

(F) The Defendant and the Division of Enforcement shall each serve and file an initial brief within seven (7) days of the service of any Notice of Appeal.

(G) The Defendant and the Division of Enforcement shall each serve and file its reply brief, if any, within seven (7) days of the service of the last initial brief.

(H) The Commission shall issue and serve its Opinion and Order within 60 days of the filing of the last reply brief.

(I) Pursuant to Rules 3.60(k), 3.61 and 10.3, the Administrative Law Judge, in the exercise of his discretion and for good cause shown, may extend or shorten the time limits

prescribed above, or otherwise provided by the Commission's Rules, upon his own motion or the motion of a party.

(J) Pursuant to Rules 3.60(k), 3.61 and 10.3, the Commission retains its discretion, for good cause shown, to extend or shorten the time limits prescribed above, or otherwise provided by the Commission's Rules, upon its own motion or the motion of a party.

IV.

IT IS FURTHER ORDERED THAT the Hearing Clerk shall serve this Notice of Intent to Suspend, Revoke, or Restrict Registration by registered or certified mail pursuant to Commission Regulation 3.50, 17 C.F.R. § 3.50 (2001).

By the Commission.

Jean A. Webb
Secretary to the Commission
Commodity Futures Trading Commission

Dated: November 16, 2001